

U.S. SILICA HOLDINGS, INC.
Form 10-Q
August 01, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2017

OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-35416

U.S. Silica Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware 26-3718801
(State or other jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)
8490 Progress Drive, Suite 300
Frederick, Maryland 21701
(Address of Principal Executive Offices) (Zip Code)
(301) 682-0600
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 14(a) of the Exchange Act. "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes " No ý

As of July 27, 2017, 81,213,202 shares of common stock, par value \$0.01 per share, of the registrant were outstanding.

U.S. Silica Holdings, Inc.
 FORM 10-Q
 For the Quarter Ended June 30, 2017
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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

U.S. SILICA HOLDINGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	June 30, 2017	December 31, 2016
	(unaudited)	(audited)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$598,535	\$711,225
Accounts receivable, net	159,110	89,006
Inventories, net	74,278	78,709
Prepaid expenses and other current assets	10,254	12,323
Income tax deposits	—	1,682
Total current assets	842,177	892,945
Property, plant and mine development, net	919,840	783,313
Goodwill	246,181	240,975
Trade names	33,068	32,318
Intellectual property, net	65,384	57,270
Customer relationships, net	52,508	50,890
Other assets	15,013	15,509
Total assets	\$2,174,171	\$2,073,220
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$102,376	\$70,778
Dividends payable	5,229	5,221
Accrued liabilities	14,698	13,034
Accrued interest	61	169
Current portion of long-term debt	4,832	4,821
Current portion of capital leases	1,961	2,237
Current portion of deferred revenue	25,402	13,700
Income tax payable	2,791	—
Total current liabilities	157,350	109,960
Long-term debt	506,295	508,417
Deferred revenue	79,808	58,090
Obligations under capital lease	138	717
Liability for pension and other post-retirement benefits	59,411	56,746
Deferred income taxes, net	52,328	50,075
Other long-term obligations	16,633	15,925
Total liabilities	871,963	799,930
Stockholders' Equity:		
Preferred stock	—	—
Common stock	812	811
Additional paid-in capital	1,134,245	1,129,051
Retained earnings	184,959	163,173
Treasury stock, at cost	(491) (3,869

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Accumulated other comprehensive loss	(17,317)	(15,876)
Total stockholders' equity	1,302,208	1,273,290
Total liabilities and stockholders' equity	\$2,174,171	\$2,073,220

The accompanying notes are an integral part of these financial statements.

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U.S. SILICA HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited; dollars in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Sales:				
Product	\$246,022	\$116,039	\$455,343	\$237,666
Service	44,443	955	79,919	1,838
Total sales	290,465	116,994	535,262	239,504
Cost of sales (excluding depreciation, depletion and amortization):				
Product	164,025	102,587	326,662	209,216
Service	33,386	120	58,224	242
Total cost of sales (excluding depreciation, depletion and amortization)	197,411	102,707	384,886	209,458
Operating expenses:				
Selling, general and administrative	26,012	14,585	48,353	30,088
Depreciation, depletion and amortization	23,626	15,209	45,225	29,765
Total operating expenses	49,638	29,794	93,578	59,853
Operating income (loss)	43,416	(15,507)	56,798	(29,807)
Other income (expense):				
Interest expense	(8,105)	(6,647)	(15,751)	(13,290)
Other income (expense), net, including interest income	1,258	608	(3,670)	2,398
Total other expense	(6,847)	(6,039)	(19,421)	(10,892)
Income (loss) before income taxes	36,569	(21,546)	37,377	(40,699)
Income tax benefit (expense)	(7,110)	9,774	(5,396)	17,924
Net income (loss)	\$29,459	\$(11,772)	\$31,981	\$(22,775)
Earnings (loss) per share:				
Basic	\$0.36	\$(0.19)	\$0.39	\$(0.38)
Diluted	\$0.36	\$(0.19)	\$0.39	\$(0.38)
Weighted average shares outstanding:				
Basic	81,087	63,417	81,032	58,900
Diluted	81,945	63,417	82,103	58,900
Dividends declared per share	\$0.06	\$0.06	\$0.13	\$0.13

The accompanying notes are an integral part of these financial statements.

U.S. SILICA HOLDINGS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (unaudited; dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	\$29,459	\$(11,772)	\$31,981	\$(22,775)
Other comprehensive income (loss):				
Unrealized gain (loss) on derivatives (net of tax of (\$2) and (\$12) for the three months ended June 30, 2017 and 2016, respectively, and (\$23) and \$9 (3) (20) (39) 15 for the six months ended June 30, 2017 and 2016, respectively)				
Unrealized loss on investments (net of tax of \$0 and (\$1) for the three months ended June 30, 2017 and 2016, respectively, and \$0 and \$(4) for the— (1) — (6) six months ended June 30 2017 and 2016, respectively)				
Pension and other post-retirement benefits liability adjustment (net of tax of (\$1,185) and \$(1,227) for the three months ended June 30, 2017 and 2016, respectively, and (\$845) and \$(2,768) for the six months ended June 30, 2017 and 2016, respectively)	(1,967)	(2,036)	(1,402)	(4,594)
Comprehensive income (loss)	\$27,489	\$(13,829)	\$30,540	\$(27,360)

The accompanying notes are an integral part of these financial statements.

U.S. SILICA HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(unaudited; dollars in thousands, except per share amounts)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2016	\$ 811	\$(3,869)	\$1,129,051	\$163,173	\$ (15,876)	\$1,273,290
Net income	—	—	—	31,981	—	31,981
Unrealized loss on derivatives	—	—	—	—	(39)	(39)
Pension and post-retirement liability	—	—	—	—	(1,402)	(1,402)
Cash dividend declared (\$0.125 per share)	—	—	—	(10,195)	—	(10,195)
Common stock-based compensation plans activity:						
Equity-based compensation	—	—	11,952	—	—	11,952
Proceeds from options exercised	—	815	(268)	—	—	547
Issuance of restricted stock	—	1,724	(1,724)	—	—	—
Shares withheld for employee taxes related to vested restricted stock and stock units	1	839	(4,766)	—	—	(3,926)
Balance at June 30, 2017	\$ 812	\$(491)	\$1,134,245	\$184,959	\$ (17,317)	\$1,302,208

The accompanying notes are an integral part of these financial statements.

U.S. SILICA HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited; dollars in thousands)

	Six Months Ended June 30,	
	2017	2016
Operating activities:		
Net income (loss)	\$31,981	\$(22,775)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	45,225	29,765
Debt issuance amortization	692	696
Original issue discount amortization	188	192
Deferred income taxes	2,149	(18,075)
Deferred revenue	15,235	(3,255)
Loss on disposal of property, plant and equipment	394	29
Equity-based compensation	11,952	5,355
Bad debt provision	848	101
Other	767	1,211
Changes in operating assets and liabilities, net effects of acquisitions:		
Accounts receivable	(69,400)	4,312
Inventories	5,207	(2,154)
Prepaid expenses and other current assets	2,069	1,022
Income taxes	4,257	5,438
Accounts payable and accrued liabilities	32,331	(1,584)
Accrued interest	(108)	(1)
Liability for pension and other post-retirement benefits	454	1,044
Net cash provided by operating activities	84,241	1,321
Investing activities:		
Capital expenditures	(158,867)	(23,388)
Capitalized intellectual property costs	(1,973)	—
Maturities of short-term investments	—	21,872
Acquisition of business, net of cash acquired	(18,636)	—
Proceeds from sale of property, plant and equipment	12	66
Net cash used in investing activities	(179,464)	(1,450)
Financing activities:		
Dividends paid	(10,187)	(6,732)
Issuance of common stock	—	200,000
Common stock issuance costs	—	(13,798)
Proceeds from options exercised	547	1,299
Tax payments related to shares withheld for vested restricted stock	(3,926)	(959)
Repayment of long-term debt	(3,270)	(2,550)
Principal payments on capital lease obligations	(631)	—
Net cash (used in) provided by financing activities	(17,467)	177,260
Net increase (decrease) in cash and cash equivalents	(112,690)	177,131
Cash and cash equivalents, beginning of period	711,225	277,077
Cash and cash equivalents, end of period	\$598,535	\$454,208
Supplemental cash flow information:		
Cash paid (received) during the period for:		
Interest	\$12,766	\$10,571

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Taxes, net of refunds		\$(1,010)	\$(5,299)
Non-cash Items:			
Equipment received		\$18,185	\$—

The accompanying notes are an integral part of these financial statements.

U.S. SILICA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited; dollars in thousands, except per share amounts)

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

The accompanying Condensed Consolidated Financial Statements (the “Financial Statements”) of U.S. Silica Holdings, Inc. (“Holdings,” and together with its subsidiaries “we,” “us” or the “Company”) included in this Quarterly Report on Form 10-Q, have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X issued by the U.S. Securities and Exchange Commission (“SEC”). They do not contain certain information included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016; therefore, the interim Condensed Consolidated Financial Statements should be read in conjunction with that Annual Report on Form 10-K. In the opinion of management, all adjustments necessary for a fair presentation of the Financial Statements have been included. Such adjustments are of a normal, recurring nature.

In order to make this report easier to read, we refer throughout to (i) our Condensed Consolidated Balance Sheets as our “Balance Sheets,” (ii) our Condensed Consolidated Statements of Operations as our “Income Statements,” and (iii) our Condensed Consolidated Statements of Cash Flows as our “Cash Flows.”

On April 1, 2017, we completed the acquisition of White Armor, a product line of cool roof granules used in industrial roofing applications. On May 17, 2017, we purchased reserves in Crane County, Texas.

Unaudited Interim Financial Statements

The accompanying Balance Sheet as of June 30, 2017; the Income Statements and Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2017 and 2016, respectively; the Condensed Consolidated Statements of Stockholders' Equity and Cash Flows for the six months ended June 30, 2017; and other information disclosed in the related notes are unaudited. The Balance Sheet as of December 31, 2016, was derived from our audited consolidated financial statements as included in our 2016 Annual Report.

Use of Estimates and Assumptions

The preparation of the Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions relate to purchase price allocation for businesses acquired; mineral reserves that are the basis for future cash flow estimates utilized in impairment calculations and units-of-production amortization calculations; environmental, reclamation and closure obligations; estimates of recoverable minerals; estimates of allowance for doubtful accounts; estimates of fair value for certain reporting units and asset impairments (including impairments of goodwill and other long-lived assets); write-downs of inventory to net realizable value; equity-based compensation expense; post-employment, post-retirement and other employee benefit liabilities; valuation allowances for deferred tax assets; contingent considerations; reserves for contingencies and litigation and the fair value and accounting treatment of financial instruments including derivative instruments. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers, which supersedes previous revenue recognition guidance. The new guidance introduces a new principles-based framework for revenue recognition and disclosure. Since its issuance, the FASB has issued an additional six ASUs, including ASU 2016-20 in December 2016, amending the guidance and the effective dates of amendments, and the SEC has rescinded certain related SEC guidance; the most recent of which was issued in May 2016. The pronouncements are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods

within that reporting period. We have not yet completed our final review of the impact of this guidance, although we currently do not anticipate a material impact on our revenue recognition practices. In 2017, the Company identified a project team and commenced an initial impact assessment process for ASU 2014-09. To date, the Company has reviewed a sample of contracts with its customers and made preliminary assessments of the

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impact on revenue and expenses based on these reviews; however, the assessment of the impact to the Company's results of operations, financial position and cash flows as a result of this guidance is ongoing. The Company will adopt this new standard as of January 1, 2018, and currently expects to apply the modified retrospective method, which may result in a cumulative effect adjustment as of the date of adoption. Both the Company's initial assessment and its selected transition method may change depending on the results of the Company's final assessment of the impact to its financial statements.

In January 2017, the FASB issued ASU 2017-04 Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which removes Step 2 from the goodwill impairment test. It is effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed with a measurement date after January 1, 2017. We are currently evaluating the impact of this accounting standard on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business ("ASU 2017-01"). The new guidance clarifies the definition of a business with the objective of adding guidance to assist companies and other reporting organizations with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions. ASU 2017-01 is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. Early application of the amendments in ASU 2017-01 is allowed for transactions for which the acquisition date occurs before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance.

In March 2017, the FASB issued ASU 2017-07 Compensation-Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit ("ASU 2017-07"). ASU 2017-07 amends presentation requirements related to reporting the service cost component of net benefit costs to require that the service cost component be reported in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period, disaggregating the component from other net benefit costs. ASU 2017-07 also limits the components of net benefit cost eligible to be capitalized to service cost. ASU 2017-07 is effective for fiscal years beginning after December 15, 2017, including interim periods within those annual periods for public business entities. We are currently evaluating the impact of this accounting standard on our consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09 Compensation-Stock Compensation (Topic 718), Scope of Modification Accounting ("ASU 2017-09"). This Update amends the scope of modification for share-based payment arrangements. This ASU 2017-09 provides guidance on the types of the changes to the terms or conditions of share-based payments awards to which an entity would be required to apply modification accounting. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. ASU 2017-09 is effective for fiscal years beginning after December 15, 2017, including interim periods within those annual periods for all entities. We are currently evaluating the impact of this accounting standard on our consolidated financial statements.

NOTE B—CAPITAL STRUCTURE AND ACCUMULATED COMPREHENSIVE INCOME

Common Stock

Our Amended and Restated Certificate of Incorporation authorizes up to 500,000,000 shares of common stock, par value of \$0.01. Subject to the rights of holders of any series of preferred stock, all of the voting power of the stockholders of Holdings shall be vested in the holders of the common stock. There were 81,199,037 shares of common stock issued and outstanding at June 30, 2017. As of June 30, 2016, there were 63,581,010 shares issued and outstanding.

During the six months ended June 30, 2017, our Board of Directors declared quarterly cash dividends as follows:

Dividends

per Common Share	Declaration Date	Record Date	Payable Date
------------------------	------------------	-------------	--------------

\$0.0625 February 16, 2017 March 15, 2017 April 5, 2017

\$0.0625 May 4, 2017 June 15, 2017 July 6, 2017

All dividends were paid as scheduled.

Any determination to pay dividends and other distributions in cash, stock, or property by Holdings in the future will be at the discretion of our Board of Directors and will be dependent on then-existing conditions, including our business conditions, our financial condition, results of operations, liquidity, capital requirements, contractual restrictions including restrictive covenants contained in our debt agreements, and other factors. Additionally, because we are a holding company, our ability to pay dividends on our common stock may be limited by restrictions on the ability of our subsidiaries to pay dividends or make distributions to us, including restrictions under the terms of the agreements governing our indebtedness.

Preferred Stock

Our Amended and Restated Certificate of Incorporation authorizes our Board of Directors to issue up to 10,000,000 shares, in the aggregate, of preferred stock, par value of \$0.01 in one or more series, to fix the powers, preferences and other rights of such series, and any qualifications, limitations or restrictions thereof, including the dividend rate, conversion rights, voting rights, redemption rights and liquidation preference, and to fix the number of shares to be included in any such series, without any further vote or action by our stockholders.

There were no shares of preferred stock issued or outstanding at either June 30, 2017 or December 31, 2016. At present, we have no plans to issue any preferred stock.

Employee Stock Awards

We grant stock options, restricted stock, restricted stock units and performance share units to our employees and directors under the Amended and Restated U.S. Silica Holdings, Inc. 2011 Incentive Compensation Plan. The weighted-average stock awards (in thousands) that are anti-dilutive and are, therefore, excluded from the calculation of our diluted earnings per common share are:

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2016
Weighted-average outstanding stock options excluded	195,125	195,279
Weighted-average outstanding restricted stock awards excluded	426,131	48,844

Share Repurchase Program

We are authorized by our Board of Directors to repurchase shares of our outstanding common stock from time to time on the open market or in privately negotiated transactions. As of June 30, 2017, we are authorized to repurchase up to \$50 million of our common stock through December 11, 2017. Stock repurchases, if any, will be funded using our available liquidity. The timing and amount of stock repurchases will depend on a variety of factors, including the market conditions as well as corporate and regulatory considerations. Under our share repurchase program, as of June 30, 2017, we have repurchased 706,093 shares of our common stock at an average price of \$23.83 and are authorized to repurchase up to an additional \$33.2 million of our common stock.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income (loss) consists of fair value adjustments associated with cash flow hedges and accumulated adjustments for net experience losses and prior service cost related to employee benefit plans. The following table presents the changes in accumulated other comprehensive income (in thousands) by component during the six months ended June 30, 2017:

	For the Six Months Ended June 30, 2017		
	Unrealized gain/(loss) on cash flow hedges	Pension and other post-retirement benefits liability	Total
Beginning Balance	\$(32)	\$(15,844)	\$(15,876)
Other comprehensive loss before reclassifications	(39)	(1,718)	(1,757)
Amounts reclassified from accumulated other comprehensive income	—	316	316
Ending Balance	\$(71)	\$(17,246)	\$(17,317)

Amounts reclassified from accumulated other comprehensive income (loss) related to cash flow hedges category are included in interest expense in our Income Statements and amounts reclassified related to pension and other post-retirement benefits liability category are included in the computation of net periodic pension costs, respectively, at before tax amounts.

NOTE C—ACCOUNTS RECEIVABLE

At June 30, 2017 and December 31, 2016, accounts receivable (in thousands) consisted of the following:

	June 30, 2017	December 31, 2016
Trade receivables	\$ 164,737	\$ 93,982
Less: Allowance for doubtful accounts	(6,578)	(7,042)
Net trade receivables	158,159	86,940
Other receivables	951	2,066
Total accounts receivable	\$ 159,110	\$ 89,006

Changes in our allowance for doubtful accounts (in thousands) during the six months ended June 30, 2017 are as follows:

	June 30, 2017
Beginning balance	\$7,042
Bad debt provision	848
Write-offs	(1,312)
Ending balance	\$6,578

NOTE D—INVENTORIES

At June 30, 2017 and December 31, 2016, inventories (in thousands) consisted of the following:

	June 30, 2017	December 31, 2016
Supplies	\$19,668	\$ 18,824
Raw materials and work in process	22,442	25,161
Finished goods	32,168	34,724
Total inventories	\$74,278	\$ 78,709

NOTE E—PROPERTY, PLANT AND MINE DEVELOPMENT

At June 30, 2017 and December 31, 2016, property, plant and mine development (in thousands) consisted of the following:

	June 30, 2017	December 31, 2016
Mining property and mine development	\$512,272	\$414,434
Asset retirement cost	8,062	8,062
Land	35,052	35,052
Land improvements	43,159	42,738
Buildings	52,229	52,178
Machinery and equipment	497,115	450,881
Furniture and fixtures	2,635	2,566
Construction-in-progress	76,191	43,790
	1,226,715	1,049,701
Accumulated depletion, depreciation and amortization	(306,875)	(266,388)
Total property, plant and mine development, net	\$919,840	\$783,313

At June 30, 2017, the aggregate cost of the machinery and equipment acquired under capital leases was \$4.3 million, reduced by accumulated depreciation of \$0.5 million.

NOTE F—DEBT AND CAPITAL LEASES

At June 30, 2017 and December 31, 2016, debt (in thousands) consisted of the following:

	June 30, 2017	December 31, 2016
Senior secured credit facility:		
Revolver expiring July 23, 2018 (5.75% at June 30, 2017 and 5.25% at December 31, 2016)	\$—	\$—
Term loan facility—final maturity July 23, 2020 (4.3% - 4.8% at June 30, 2017 and 4%-4.5% at December 31, 2016)	491,625	494,175
Less: Unamortized original issue discount	(1,130)	(1,318)
Less: Unamortized debt issuance cost	(3,790)	(4,482)
Note payable secured by royalty interest	22,939	23,076
Customer note payable	1,483	1,787
Total debt	511,127	513,238
Less: current portion	(4,832)	(4,821)
Total long-term portion of debt	\$506,295	\$508,417

Revolving Line-of-Credit

We have a \$50 million revolving line-of-credit (the “Revolver”), with zero drawn and \$4.0 million allocated for letters of credit as of June 30, 2017, leaving \$46.0 million available under the Revolver.

Senior Secured Credit Facility

At June 30, 2017, contractual maturities of long-term debt (in thousands) are as follows:

2017	\$2,550
2018	5,100
2019	5,100
2020	478,875
	\$491,625

Our senior secured credit facility is secured by a pledge of substantially all of our assets, including accounts receivable, inventory, property, plant and mine development, and a pledge of the equity interests in certain of our subsidiaries. The facility contains covenants that, among other things, govern our ability to create, incur or assume indebtedness and liens, to make acquisitions or investments, to sell assets and to pay dividends. This includes a restriction on the ability of our operating subsidiaries to make distributions to us to the extent that the incurrence ratio (as defined in the senior secured credit facility) after giving effect to the distribution is 3:1 or greater. The facility also requires us to maintain a consolidated total net leverage ratio of no more than 3.75:1.00 as of the last day of any fiscal quarter whenever usage of the Revolver (other than certain undrawn letters of credit) exceeds 25% of the Revolver commitment. As of June 30, 2017, we are in compliance with all covenants in accordance with our senior secured credit facility.

Note Payable Secured by Royalty Interest

In conjunction with the acquisition of New Birmingham, Inc. ("NBI") in August 2016, we assumed a note payable secured by a royalty interest. The monthly royalty payment is calculated based on future tonnages and sales related to the sand shipped from our Tyler, Texas facility. The note payable is due by June 30, 2032. The note does not provide a stated interest rate. The minimum payments (in thousands) for the next five years required by the note are as follows:

2017	\$875
2018	1,750
2019	1,750
2020	1,750
2021	1,750

Under this agreement once a certain number of tons have been shipped from the Tyler facility, the minimum payments will decrease to \$0.5 million per year, subject to proration in the period this threshold is met.

The royalty note payable fair value was estimated to be \$22.5 million on the acquisition date. The estimate was made using a discounted cash flow model which calculated the present value of projected future cash payments required under the agreement using a discounted rate of 14%. As of June 30, 2017, the note payable has a balance of \$22.9 million. The effective interest rate based on the updated projected future cash payments is 24% at June 30, 2017.

Customer Note Payable

In connection with the acquisition of NBI in August 2016, we assumed a customer note payable that was entered into by NBI. NBI entered into an amendment effective January 1, 2016. Terms of the amended agreement call for repayment of \$2.5 million at 0% interest, in equal monthly payments beginning January 1, 2016 for 60 months or \$0.5 million per year. Additionally, the principal of this note payable can be reduced via future product load credit. We discounted the required future cash payments and projected product load credit using an effective interest rate of 3.5%. As of June 30, 2017, the note has a balance of \$1.5 million.

Capital Leases

We enter into financing arrangements from time to time to purchase machinery and equipment utilized in operations. At June 30, 2017, scheduled future minimum lease payments under capital lease obligations (in thousands) are as follows:

2017	\$	1,421	
2018		722	
Total minimum lease payments		2,143	
Less: amount representing interest	(44)	
Present value of minimum lease payments		2,099	
Less: current portion of capital lease obligations	(1,961)	
Non-current portion of capital lease obligations	\$	138	

NOTE G—DEFERRED REVENUE

On January 25, 2017, we entered into a service agreement with a customer and received equipment with fair value of \$18.2 million. This amount represents future purchases and is recorded as deferred revenue which is recognized as revenues over a term of five years.

On May 23, 2017, we received an advance payment of \$25.0 million from a customer under a supply agreement which starts upon completion of a plant expansion. The agreement gives the customer the right to purchase certain products for a discounted price at certain volumes over an initial term of five years. The amount represents future purchases and is recorded as deferred revenue which is recognized as revenues over a contract term of five years.

NOTE H—ASSET RETIREMENT OBLIGATION

Mine reclamation costs, or future remediation costs for inactive mines, are accrued based on management's best estimate at the end of each period of the costs expected to be incurred at a site. Such cost estimates include, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised.

As of June 30, 2017, we had a liability of \$11.6 million in other long-term obligations related to our asset retirement obligation. Changes in the asset retirement obligation (in thousands) during the six months ended June 30, 2017 are as follows:

June
30,
2017
Beginning balance \$11,159
Accretion 433
Ending balance \$11,592

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NOTE I—FAIR VALUE ACCOUNTING

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Inputs that are generally unobservable and typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability.

Cash Equivalents

Due to the short-term maturity, we believe our cash equivalent instruments at June 30, 2017 and December 31, 2016 approximate their reported carrying values.

Long-Term Debt, Including Current Maturities

We believe that the fair values of our long-term debt, including current maturities, approximate their carrying values based on their effective interest rates compared to current market rates.

Derivative Instruments

The estimated fair value of our derivative assets (interest rate caps) are recorded at each reporting period and are based upon widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative contract. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. We also incorporate credit valuation adjustments to appropriately reflect both our nonperformance risk as well as that of the respective counterparty in the fair value measurements.

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default of ourselves and our counterparties. However, as of June 30, 2017, we have assessed that the impact of the credit valuation adjustments on the overall valuation of our derivative positions is not significant. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

In accordance with the fair value hierarchy, the following table presents the fair value (in thousands) as of June 30, 2017, of those assets that we measure at fair value on a recurring basis:

	Level 1	Level 2	Total
Interest rate derivatives \$		—\$ 2	\$ 2
Net asset	\$	—\$ 2	\$ 2

NOTE J—COMMITMENTS AND CONTINGENCIES

Future Minimum Annual Commitments at June 30, 2017:

(Amounts in thousands)	Operating Leases	Minimum Purchase Commitments
2017	\$26,624	\$ 11,425
2018	53,952	20,115
2019	48,251	16,877
2020	38,791	7,971
2021	32,209	5,736
Thereafter	76,249	21,944
Total future lease and purchase commitments	\$276,076	\$ 84,068

Operating Leases

We are obligated under certain operating leases for railroad cars, office space, mining property, mining/processing equipment and transportation and other equipment. Certain operating lease agreements include options to purchase the equipment for fair market value at the end of the original lease term. In general, the above leases include renewal options and provide that we pay for all utilities, insurance, taxes and maintenance. Expense related to operating leases and rental agreements totaled approximately \$15.8 million and \$12.2 million for the three months ended June 30, 2017 and 2016, respectively, and \$31.2 million and \$25.0 million for the six months ended June 30, 2017 and 2016, respectively.

Minimum Purchase Commitments

We enter into service agreements with our transload service providers and transportation service providers. Some of these agreements require us to purchase a minimum amount of services over a specific period of time. Any inability to meet these minimum contract requirements requires us to pay a shortfall fee, which is based on the difference between the minimum amount contracted for and the actual amount purchased.

Contingent Liability on Royalty Agreement

On May 17, 2017, we purchased reserves in Crane County, Texas, for \$94.4 million cash consideration plus contingent consideration. The contingent consideration is a royalty based on the tonnage shipped to third-parties. Because the contingent consideration is dependent on future tonnage sold, the amounts of which are uncertain, it is not currently possible to estimate the fair value of these future payments. The contingent consideration will be capitalized at the time a payment is probable and reasonably estimable, and the related depletion expense will be adjusted prospectively.

Other Commitments and Contingencies

Our operating subsidiary, U.S. Silica Company (“U.S. Silica”), has been named as a defendant in various product liability claims alleging silica exposure causing silicosis. During the six months ended June 30, 2017, no new claims were brought against U.S. Silica. As of June 30, 2017, there were 60 active silica-related products liability claims pending in which U.S. Silica is a defendant. Although the outcomes of these claims cannot be predicted with certainty, in the opinion of management, it is not reasonably possible that the ultimate resolution of these matters will have a material adverse effect on our financial position or results of operations that exceeds the accrual amounts.

We have recorded estimated liabilities for these claims in other long-term obligations as well as estimated recoveries under the indemnity agreement and an estimate of future recoveries under insurance in other assets on our condensed consolidated balance sheets. As of both June 30, 2017, and December 31, 2016 other non-current assets included \$0.3 million for insurance for third-party products liability claims and other long-term obligations included \$1.3 million in third-party products claims liability.

NOTE K—INCOME TAXES

For interim period reporting, we record income taxes using an estimated annual effective tax rate based upon projected annual income, forecasted permanent tax differences, discrete items and statutory rates in states in which we operate. At the end of each interim period, we update the estimated annual effective tax rate, and if the estimated tax rate changes based on new information, we make a cumulative adjustment in the period. We record the tax effect of an

unusual or infrequently occurring item in the interim period in which it occurs as a discrete item of tax.

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In the six months ended June 30, 2017, we recorded a tax benefit of \$1.7 million related to excess tax benefits on equity compensation pursuant to ASU 2016-09.

The effective tax rate was 14% and 44% for the six months ended June 30, 2017 and 2016, respectively. The tax rate for the six months ended June 30, 2017 would have been 19% without the equity compensation tax benefit recorded discretely.

Historically, our actual effective tax rates have differed from the statutory effective rate primarily due to the benefit received from statutory percentage depletion allowances. The deduction for statutory percentage depletion does not necessarily change proportionately to changes in income before income taxes.

NOTE L— PENSION AND POST-RETIREMENT BENEFITS

We maintain a single-employer noncontributory defined benefit pension plan covering certain employees. Net pension benefit cost (in thousands) recognized for the three and six months ended June 30, 2017 and 2016 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Service cost	\$ 149	\$ 3	\$ 444	\$ 291
Interest cost	571	13	1,454	1,248
Expected return on plan assets	(757)	(15)	(2,088)	(1,407)
Net amortization and deferral	255	7	948	489
Net pension benefit costs	\$ 218	\$ 8	\$ 758	\$ 621

In addition, we provide defined benefit post-retirement health care and life insurance benefits to some employees. Net periodic post-retirement benefit cost (in thousands) recognized for the three and six months ended June 30, 2017 and 2016 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Service cost	\$ 33	\$ 44	\$ 65	\$ 89
Interest cost	191	306	383	613
Expected return on plan assets	(1)	—	(1)	(1)
Special termination benefit	—	21	—	21
Net amortization and deferral	53	135	107	269
Net post-retirement costs	\$ 276	\$ 506	\$ 554	\$ 991

The weighted average discount rate used to determine the projected pension and post-retirement obligations was updated during the six months ended June 30, 2017, and was decreased from 4.2% at December 31, 2016 to 3.8% at June 30, 2017. We contributed \$0.3 million to the qualified pension plan for the both three and six months ended June 30, 2017. We made no contributions to the qualified pension plan for the three and six months ended June 30, 2016. Total expected employer funding contributions during the fiscal year ending December 31, 2017 are \$2.1 million for the pension plan and \$1.4 million for the post-retirement medical and life plan.

NOTE M— OBLIGATIONS UNDER GUARANTEES

We have indemnified Travelers Casualty and Surety Company of America (“Travelers”) against any loss Travelers may incur in the event that holders of surety bonds, issued on behalf of us by Travelers, execute the bonds. As of June 30, 2017, Travelers had \$10.6 million in bonds outstanding for us. The majority of these bonds, \$10.3 million, relate to reclamation requirements issued by various governmental authorities. Reclamation bonds remain outstanding until the mining area is reclaimed and the authority issues a formal release. The remaining bonds relate to such indefinite purposes as licenses, permits, and tax collection.

NOTE N— SEGMENT REPORTING

Our business is organized into two reportable segments, Oil & Gas Proppants and Industrial & Specialty Products, based on end markets. The reportable segments are consistent with how management views the markets that we serve and the financial information reviewed by the chief operating decision maker. We manage our Oil & Gas Proppants and Industrial &

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Specialty Products businesses as components of an enterprise for which separate information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance.

In the Oil & Gas Proppants segment, we serve the oil and gas recovery market primarily by providing and delivering fracturing sand, or “frac sand,” which is pumped down oil and natural gas wells to prop open rock fissures and increase the flow rate of oil and natural gas from the wells.

The Industrial & Specialty Products segment consists of over 217 products and materials used in a variety of industries, including container glass, fiberglass, specialty glass, flat glass, building products, fillers and extenders, foundry products, chemicals, recreation products and filtration products.

An operating segment’s performance is primarily evaluated based on segment contribution margin, which excludes certain corporate costs not associated with the operations of the segment. These corporate costs are separately stated below and include costs that are related to functional areas such as operations management, corporate purchasing, accounting, treasury, information technology, legal and human resources. We believe that segment contribution margin, as defined above, is an appropriate measure for evaluating the operating performance of our segments. However, this measure should be considered in addition to, not a substitute for, or superior to, net income (loss) or other measures of financial performance prepared in accordance with generally accepted accounting principles. The other accounting policies of each of the two reporting segments are the same as those in Note A - Summary of Significant Accounting Policies of our Financial Statements.

The following table presents sales and segment contribution margin (in thousands) for the reporting segments and other operating results not allocated to the reported segments for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Sales:				
Oil & Gas Proppants	\$235,018	\$64,926	\$427,976	\$138,791
Industrial & Specialty Products	55,447	52,068	107,286	100,713
Total sales	290,465	116,994	535,262	239,504
Segment contribution margin:				
Oil & Gas Proppants	71,222	(5,995)	110,062	(5,144)
Industrial & Specialty Products	23,267	21,486	43,484	38,380
Total segment contribution margin	94,489	15,491	153,546	33,236
Operating activities excluded from segment cost of sales	(1,435)	(1,204)	(3,170)	(3,190)
Selling, general and administrative	(26,012)	(14,585)	(48,353)	(30,088)
Depreciation, depletion and amortization	(23,626)	(15,209)	(45,225)	(29,765)
Interest expense	(8,105)	(6,647)	(15,751)	(13,290)
Other income (expense), net, including interest income	1,258	608	(3,670)	2,398
Income tax benefit (expense)	(7,110)	9,774	(5,396)	17,924
Net income (loss)	\$29,459	\$(11,772)	\$31,981	\$(22,775)

Asset information, including capital expenditures and depreciation, depletion, and amortization, by segment is not included in reports used by management in its monitoring of performance and, therefore, is not reported by segment. Goodwill of \$246.2 million has been allocated to these segments with \$221.6 million assigned to Oil & Gas Proppants and \$24.6 million to Industrial & Specialty Products as of June 30, 2017.

NOTE O— SUBSEQUENT EVENTS

On July 6, 2017, we paid a cash dividend of \$0.0625 per share to common stockholders of record on June 15, 2017, which had been declared by our Board of Directors on May 4, 2017.

On July 21, 2017, our Board of Directors declared a quarterly cash dividend of \$0.0625 per share to common stockholders of record at the close of business September 15, 2017, payable on October 3, 2017.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with the Condensed Consolidated Financial Statements and the accompanying notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q as well as the Consolidated Financial Statements, the accompanying notes and the related Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (the "2016 Annual Report").

Overview

We are one of the largest domestic producers of commercial silica, a specialized mineral that is a critical input into a variety of attractive end markets. During our 117-year history, we have developed core competencies in mining, processing, logistics and materials science that enable us to produce and cost-effectively deliver 247 products to customers across these markets. As of June 30, 2017, we operate 18 production facilities across the United States and control 630 million tons of reserves of commercial silica, which can be processed to make 286 million tons of finished products that meet American Petroleum Institute (API) frac sand specifications. On August 22, 2016, we completed the acquisition of Sandbox Enterprises, LLC ("Sandbox" or the "Sandbox acquisition") as a "last mile" logistics solution for frac sand in the oil and gas industry. On April 1, 2017, we completed the acquisition of White Armor (the "White Armor acquisition"), a product line of cool roof granules used in industrial roofing applications.

Our operations are organized into two segments based on end markets served: (1) Oil & Gas Proppants and (2) Industrial & Specialty Products. Our segments are complementary because our ability to sell to a wide range of customers across end markets allows us to maximize recovery rates in our mining operations, optimize our asset utilization and reduce the cyclical nature of our earnings.

Recent Trends and Outlook

Oil and gas proppants end market trends

Increased demand for frac sand between 2008 and 2014 was driven by the growth in the use of hydraulic fracturing as a means to extract hydrocarbons from shale formations. According to the 2014 Proppant Market Report, PropTester Inc., published February 2015, global frac sand consumption grew at a 51.2% compound annual growth rate from 2009 to 2014. This included 53.7% growth in frac sand demand from 2013 to 2014. We significantly expanded our sales efforts to the frac sand market in 2008 and experienced rapid growth in our sales associated with our oil and gas activities from 2008 until 2014.

Declines in oil prices starting in 2015 reduced oil and gas drilling and completion activity in North America during 2015 and most of 2016. As of September 30, 2016, the U.S. land rig count had fallen over 70% from its peak in 2014. Demand for frac sand fell in conjunction with the rig count and activity levels, partially offset by higher proppant per well to optimize recovery and production rates. Beginning in the last quarter of 2016, leading indicators have suggested the stabilization and increase in North American oil and gas drilling and completion activity. As of June 30, 2017, U.S. land rig count has increased 43% since December 31, 2016. Driven by the corresponding increase in frac sand demand, sales, tons sold and average selling price all increased sequentially during the three months ended June 30, 2017 compared to the three months ended March 31, 2017 as summarized below.

Amounts in thousands except per ton data	Three Months Ended			Percentage Change for Three Months Ended	
	June 30, 2017	March 31, 2017	December 31, 2016	June 30, 2017 vs. March 31, 2017	June 30, 2017 vs. December 31, 2016
Oil & Gas Proppants	2017	2017	2016	22%	41%
Sales	\$235,018	\$192,959	\$136,977	22%	41%

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Tons Sold	2,745	2,532	2,081	8 %	22 %
Average Selling Price per Ton	\$85.62	\$76.21	\$65.82	12%	16 %

However, if recovery in oil and gas drilling and completion activity does not continue, demand for frac sand may decline, which could result in us selling fewer tons, selling tons at lower prices, or both. If we sell less frac sand, or sell frac sand at lower prices, our revenue, net income, cash generated from operating activities, and liquidity would be adversely affected. We could evaluate further actions to reduce cost and improve liquidity. For instance, depending on market conditions, we may implement additional cost improvement projects or reduce our capital spending for 2017 and beyond and may delay or cancel capital projects.

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Additionally, due to impacts of change in demand for our frac sand, we are engaged in ongoing discussions with our take-or-pay supply agreement customers regarding pricing and volume requirements under our existing contracts. While these discussions continue, in certain circumstances, we have provided contract customers with temporary reductions to contract pricing in exchange for additional term and/or volume in order to preserve the value of these agreements. We may deliver sand at prices or at volumes below the requirements in our existing take-or-pay supply agreements. These circumstances may continue for the remainder of 2017. For a discussion of customer credit risk, see the Credit Risk section in Part I, Item 3 of this Quarterly Report on Form 10-Q.

We believe fluctuations in frac sand demand and price may occur as the market adjusts to changing supply and demand due to energy pricing fluctuations. We continue to expect long-term growth in oil and gas drilling in North American shale basins.

Oil and natural gas exploration and production companies' and oilfield service providers' preferences and expectations have been evolving in recent years. A proppant vendor's logistics capabilities have become an important differentiating factor when competing for business on both a spot and contract basis. Many of our customers increasingly seek convenient in-basin and wellhead proppant delivery capability from their proppant supplier. We believe that, over time, proppant customers will prefer to consolidate their purchases across a smaller group of suppliers with robust logistics capabilities and a broad offering of high performance proppants.

Industrial and specialty products end market trends

Demand in the industrial and specialty products end markets is relatively stable and is primarily influenced by key macroeconomic drivers such as housing starts, light vehicle sales, repair and remodel activity and industrial production. The primary end markets served by our production used in Industrial & Specialty Products are foundry, building products, sports and recreation, glassmaking and filtration. We have been increasing our value-added product offerings in the industrial and specialty products end markets. These new higher margin product sales have increased our Industrial & Specialty Products segment's profitability. For instance, on April 1, 2017, we completed the White Armor acquisition, a product line of cool roof granules used in industrial roofing applications.

Our Strategy

The key drivers of our growth strategy include:

Expand our Oil & Gas Proppants production capacity and product portfolio. We continue to consider and execute several initiatives to increase our frac sand production capacity and augment our proppant product portfolio. We are evaluating Greenfield opportunities and also, are expanding production capacities and maximizing production efficiencies of our existing facilities.

Increase our presence and product offering in industrial and specialty products end markets. Our research and business development teams work in tandem with our customers to develop new products, which we expect will either increase our presence and market share in certain industrial and specialty products end markets or allow us to enter new markets. We manage a robust pipeline of new products in various stages of development. Some of these products have already come to market, resulting in a positive impact on our financial results. We continue to work toward offering more value-driven industrial and specialty products that will enhance the profitability of the business. For instance, on April 1, 2017, we completed the White Armor acquisition, a product line of cool roof granules used in industrial roofing applications.

Optimize product mix and further develop value-added capabilities to maximize margins. We continue to actively manage our product mix at each of our plants to ensure we maximize our profit margins. This requires us to use our proprietary expertise in balancing key variables, such as mine geology, processing capacities, transportation availability, customer requirements and pricing. We expect to continue investing in ways to increase the value we provide to our customers by expanding our product offerings, improving our supply chain management, upgrading our information technology, and creating a world class customer service model.

Expand our supply chain network and leverage our logistics capabilities to meet our customers' needs in each strategic oil and gas basin. We continue to expand our transload network to ensure product is available to meet the in-basin needs of our customers. This approach allows us to provide strong customer service and puts us in a position to take advantage of opportunistic spot market sales. Our plant sites are strategically located to provide access to key Class I railroads, which enables us to cost effectively send product to each of the strategic basins in North America. We can

ship product by truck, barge and rail with an ability to connect to short-line railroads as necessary to meet our customers' evolving in-basin product needs. We believe that our supply chain network and logistics capabilities are a competitive advantage that enables us to provide superior service for our customers. We expect to continue to make strategic investments and develop partnerships with transload operators and

transportation providers that will enhance our portfolio of supply chain services that we can provide to customers. As of June 30, 2017, we have storage capacity at 48 transloads located near all of the major shale basins in the United States. Our acquisition of Sandbox extends our delivery capability directly to our customers' wellhead locations, which increases efficiency and provides a lower cost logistics solution for our customers. Sandbox has operations in Midland/Odessa, Texas; Morgantown, West Virginia; western North Dakota; northeast of Denver, Colorado; Oklahoma City, OK; and Cambridge, Ohio, where its major customers are located.

Evaluate both Greenfield and Brownfield expansion opportunities and other acquisitions. We expect to continue leveraging our reputation, processing capabilities and infrastructure to increase production, as well as explore other opportunities to expand our reserve base. We may accomplish this by developing Greenfield projects, where we can capitalize on our technical knowledge of geology, mining and processing and our strong reputation within local communities. For instance, we purchased a new Greenfield site in Crane County, Texas, which depending on market conditions, could become operational as early as late 2017 and eventually add approximately 4 million tons of annual frac sand capacity. We are continuing to actively pursue acquisitions to grow by taking advantage of our asset footprint, our management's experience with high-growth businesses, and our strong customer relationships. Our primary objective is to acquire assets with differing levels of frac sand qualities that are complementary to our Oil & Gas Proppants segment, with a focus on mining, processing and logistics to further enhance our market presence. We prioritize acquisitions that provide opportunities to realize synergies (and, in some cases, the acquisition may be immediately accretive assuming synergies), including entering new geographic and frac sand product markets, acquiring attractive customer contracts and improving operations. On August 16, 2016, we completed our acquisition of NBI, the ultimate parent company of NBR Sand, LLC, a regional sand producer located near Tyler, Texas. Additionally, on August 22, 2016, we completed the acquisition of Sandbox, a provider of logistics solutions and technology for the transportation of proppant used in hydraulic fracturing in the oil and gas industry. We are in active discussions to acquire additional assets fitting this strategy, which, if completed, could be "significant" under Regulation S-X and could require additional sources of financing. There can be no assurance that we will reach a definitive agreement and complete any of these potential transactions. See the risk factors disclosed in Item 1A of Part I of our 2016 Annual Report, including the risk factor entitled, "If we cannot successfully complete acquisitions or integrate acquired businesses, our growth may be limited and our financial condition may be adversely affected."

Maintain financial strength and flexibility. We intend to maintain financial strength and flexibility to enable us to better pursue acquisitions and new growth opportunities as they arise and manage through any oil and gas proppant industry downturn. As of June 30, 2017, we had \$598.5 million of cash on hand and \$46.0 million of availability under our Revolver.

How We Generate Our Sales

We derive our sales primarily by mining, processing and delivering minerals that our customers purchase for various uses. Our product sales are primarily a function of the price per ton and the number of tons sold. The price invoiced reflects product, transportation and additional services as applicable, such as storage and transloading the product from railcars to trucks for delivery to the customer site. We invoice the majority of our customers on a per shipment basis, although for some larger customers, we consolidate invoices weekly or monthly. Service sales are billed periodically after services are completed. Depending on the types of services, the total amount billed includes labor, equipment costs, freight, handling and other costs. Our five largest customers accounted for approximately 44% of total sales during the six months ended June 30, 2017. Sales to our two largest customers, Halliburton Company and Schlumberger N.V. accounted for 14% and 12% of our total revenues during the six months ended June 30, 2017. No other customer accounted for 10% or more of our total sales.

We primarily sell our products under short-term price agreements or at prevailing market rates. For a number of customers, we sell under long-term competitively-bid contracts. Some customers provided advance payments for future shipments. A percentage of these advance payments is recognized as revenue with each ton of applicable product shipped to the customer. Selling more tons under supply contracts enables us to be more efficient from a production, supply chain and logistics standpoint. As discussed in Part I, Item 1A., "Risk Factors", of our 2016 Annual Report—"A large portion of our sales is generated by our top ten customers, and the loss of, or significant reduction in, purchases by our largest customers could adversely affect our operations," these customers may not continue to

purchase the same levels of product in the future due to a variety of reasons, contract requirements notwithstanding. As of June 30, 2017, we have seven take-or-pay supply agreements in the Oil & Gas Proppants segment with initial terms expiring between 2018 and 2019. These agreements define, among other commitments, the volume of product that our customers must purchase, the volume of product that we must provide and the price that we will charge and that our customers will pay for each product. Prices under these agreements are generally fixed and subject to adjustment in response to certain

metrics such as market indices or changes in cost. Collectively, sales to customers with take-or-pay supply agreements accounted for 23% and 20% of our total company revenue during the six months ended June 30, 2017 and 2016, respectively. Although sales under take-or-pay supply agreements may result in us realizing lower margins than we otherwise might during periods of high market prices, we believe such lower margins are offset by the benefits derived from the product mix and sales volume stability afforded by such supply agreements, which helps us lower market risk arising from adverse changes in spot prices and market conditions.

Historically we have not entered into long-term take-or-pay contracts with our customers in the industrial and specialty products end markets because of the high cost to our customers of switching providers. With these customers, we often enter into price agreements which are typically negotiated annually.

The Costs of Conducting Our Business

The principal expenses involved in conducting our business are labor costs, electricity and drying fuel costs, maintenance and repair costs for our mining and processing equipment and facilities and transportation costs. Transportation and related costs include freight charges, fuel surcharges, transloading fees, switching fees, railcar lease costs, demurrage costs, storage fees and labor costs. We believe the majority of our operating costs are relatively stable in price, but can vary significantly based on the volume of product produced. We benefit from owning the majority of the mineral deposits that we mine and having long-term mineral rights leases or supply agreements for our other primary sources of raw material, which limit royalty payments.

Additionally, we incur expenses related to our corporate operations, including costs for sales and marketing; research and development; and finance, legal, environmental, health and safety functions of our organization. These costs are principally driven by personnel expenses.

How We Evaluate Our Business

Our management team evaluates our business using a variety of financial and operational metrics. Our business is organized into two segments, Oil & Gas Proppants and Industrial & Specialty Products. We evaluate the performance of these segments based on their tons sold, average selling price and contribution margin earned. Additionally, we consider a number of factors in evaluating the performance of the business as a whole, including total tons sold, average selling price, segment contribution margin, and Adjusted EBITDA. We view these metrics as important factors in evaluating our profitability and review these measurements frequently to analyze trends and make decisions.

Segment Contribution Margin

Segment contribution margin, a non-GAAP measure, is a key metric that management uses to evaluate our operating performance and to determine resource allocation between segments. Segment contribution margin excludes certain corporate costs not associated with the operations of the segment. These unallocated costs include costs that are related to corporate functional areas such as operations management, corporate purchasing, accounting, treasury, information technology, legal and human resources.

Segment contribution margin is not a measure of our financial performance under GAAP and should not be considered an alternative to measures derived in accordance with GAAP. For more details on the reconciliation of segment contribution margin to its most directly comparable GAAP financial measure, net income (loss), see Note N - Segment Reporting to our Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Adjusted EBITDA

Adjusted EBITDA, a non-GAAP measure, is included in this report because it is a key metric used by management to assess our operating performance and by our lenders to evaluate our covenant compliance. Adjusted EBITDA excludes certain income and/or costs, the removal of which improves comparability of operating results across reporting periods. Our target performance goals under our incentive compensation plan are tied, in part, to our Adjusted EBITDA. In addition, our Revolver contains a consolidated total net leverage ratio that we must meet as of the last day of any fiscal quarter whenever usage of the Revolver (other than certain undrawn letters of credit) exceeds 25% of the Revolver commitment, which is calculated based on our Adjusted EBITDA. Noncompliance with the financial ratio covenant contained in the Revolver could result in the acceleration of our obligations to repay all amounts outstanding under the Revolver and the Term Loan. Moreover, the Revolver and the Term Loan contain covenants that restrict, subject to certain exceptions, our ability to make permitted acquisitions, incur additional indebtedness, make restricted payments (including dividends) and retain excess cash flow based, in some cases, on our

ability to meet leverage ratios calculated based on our Adjusted EBITDA.

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Adjusted EBITDA is not a measure of our financial performance or liquidity under GAAP and should not be considered as an alternative to net income as a measure of operating performance, cash flows from operating activities as a measure of liquidity or any other performance measure derived in accordance with GAAP. Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Adjusted EBITDA contains certain other limitations, including the failure to reflect our cash expenditures, cash requirements for working capital needs and cash costs to replace assets being depreciated and amortized, and excludes certain non-recurring charges. Management compensates for these limitations by relying primarily on our GAAP results and by using Adjusted EBITDA only supplementally. Our measure of Adjusted EBITDA is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the methods of calculation. The following table sets forth a reconciliation of net income (loss), the most directly comparable GAAP financial measure, to Adjusted EBITDA.

(All amounts in thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Net income (loss)	\$29,459	\$(11,772)	\$31,981	\$(22,775)
Total interest expense, net of interest income	6,641	6,150	12,952	12,520
Provision for taxes	7,110	(9,774)	5,396	(17,924)
Total depreciation, depletion and amortization expenses	23,626	15,209	45,225	29,765
EBITDA	66,836	(187)	95,554	1,586
Non-cash incentive compensation ⁽¹⁾	6,442	3,449	11,952	5,355
Post-employment expenses (excluding service costs) ⁽²⁾	240	199	729	964
Business development related expenses ⁽³⁾	1,543	861	3,029	968
Other adjustments allowable under our existing credit agreement ⁽⁴⁾	11	1,051	6,520	1,752
Adjusted EBITDA	\$75,072	\$5,373	\$117,784	\$10,625

Reflects

equity-based

⁽¹⁾ compensation expense.

⁽²⁾ Includes net pension cost and net post-retirement cost relating to pension and other post-retirement benefit obligations during the applicable period, but in each case excluding the service cost relating to benefits earned

during such period. See Note L - Pension and Post-retirement Benefits to our Financial Statements in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

Reflects expenses related to business development activities in connection with our growth and expansion initiatives.

Reflects miscellaneous adjustments permitted under our existing credit agreement. The

(4) six months ended June 30, 2017 amount includes a contract restructuring cost of \$6.3 million.

Results of Operations for the Three Months Ended June 30, 2017 and 2016

Sales

(All numbers in thousands except per ton data)	Three Months		Amount Change	Percent Change
	Ended			
	2017	2016	'17 vs.'16	'17 vs.'16
Sales:				
Oil & Gas Proppants	\$235,018	\$64,926	\$170,092	262 %
Industrial & Specialty Products	55,447	52,068	3,379	6 %
Total Sales	\$290,465	\$116,994	\$173,471	148 %
Tons:				
Oil & Gas Proppants	2,745	1,333	1,412	106 %
Industrial & Specialty Products	893	904	(11)	(1) %
Total Tons	3,638	2,237	1,401	63 %
Average Selling Price per Ton:				
Oil & Gas Proppants	\$85.62	\$48.71	\$36.91	76 %
Industrial & Specialty Products	62.09	57.60	4.49	8 %
Overall Average Selling Price per Ton:	\$79.84	\$52.30	\$27.54	53 %

Total sales increased 148% for the three months ended June 30, 2017 compared to the three months ended June 30, 2016, driven by a 63% increase in total tons sold and a 53% increase in overall average selling price. Tons sold in-basin represented 47% and 33% of total company tons sold for the three months ended June 30, 2017 and 2016, respectively.

The increase in total sales was primarily driven by Oil & Gas Proppants sales, which increased 262% for the three months ended June 30, 2017 compared to the three months ended June 30, 2016. Oil & Gas Proppants tons sold increased 106% and average selling price increased 76%. These increases were driven by year over year growth in demand for our frac sand and acquisitions of Sandbox and NBI.

Industrial & Specialty Products sales increased by 6% for the three months ended June 30, 2017 compared to the three months ended June 30, 2016 driven by 8% increase in average selling price. Tons sold decreased 1%, driven by our strategic shift among customers and products. The increase in average selling price was primarily a result of new higher-margin product sales and price increases.

Cost of Sales

Cost of sales increased by \$94.7 million, or 92%, to \$197.4 million for the three months ended June 30, 2017 compared to \$102.7 million for the three months ended June 30, 2016. As a percentage of sales, cost of sales decreased to 68% for the three months ended June 30, 2017 compared to 88% for the same period in 2016. These changes result from the main components of cost of sales as discussed below.

We incurred \$112.2 million and \$52.2 million of transportation and related costs for the three months ended June 30, 2017 and 2016, respectively. This increase was due to increased tons sold through our transloads and the Sandbox acquisition. As a percentage of sales, transportation and related costs decreased to 39% for the three months ended June 30, 2017 compared to 45% for the same period in 2016.

We incurred \$31.5 million and \$16.8 million of operating labor costs for the three months ended June 30, 2017 and 2016, respectively. The \$14.7 million increase in labor costs incurred was primarily due to more tons sold and incremental costs related to Sandbox operations. As a percentage of sales, operating labor costs represented 11% for the three months ended June 30, 2017 compared to 14% for the same period in 2016.

We incurred \$8.6 million and \$5.9 million of electricity and drying fuel (principally natural gas) costs for the three months ended June 30, 2017 and 2016, respectively. The \$2.7 million increase in electricity and drying fuel costs incurred was mainly due to more tons sold. As a percentage of sales, electricity and drying fuel costs represented 3% for the three months ended June 30, 2017 compared to 5% for the same period in 2016.

We incurred \$15.1 million and \$7.9 million of maintenance and repair costs for the three months ended June 30, 2017 and 2016, respectively. The increase in maintenance and repair costs incurred was mainly due to higher production volume and the addition of our Tyler, Texas facility. As a percentage of sales, maintenance and repair costs represented 5% for the three months ended June 30, 2017 compared to 7% for the same period in 2016.

Segment Contribution Margin

Oil & Gas Proppants contribution margin increased by \$77.2 million, or 1,288%, to \$71.2 million for the three months ended June 30, 2017 compared to \$(6.0) million for the three months ended June 30, 2016, driven by a \$170.1 million increase in segment revenue, partially offset by higher segment cost of sales.

Industrial & Specialty Products contribution margin increased by \$1.8 million, or 8%, to \$23.3 million for the three months ended June 30, 2017 compared to \$21.5 million for the three months ended June 30, 2016, driven by increased higher-margin products sales as a percentage of total sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by \$11.4 million, or 78%, to \$26.0 million for the three months ended June 30, 2017 compared to \$14.6 million for the three months ended June 30, 2016. The increase was due to the following factors:

Business development related expense increased by \$0.7 million to \$1.5 million for the three months ended June 30, 2017 compared to \$0.9 million for the three months ended June 30, 2016. The increase was primarily due to costs related to the White Armor acquisition and to evaluating other acquisition opportunities.

Compensation-related expense increased by \$8.5 million for the three months ended June 30, 2017 compared to the three months ended June 30, 2016, mainly driven by increased equity-based compensation and incremental personnel expense related to our NBI and Sandbox employees.

Bad debt expense increased by \$0.1 million for the three months ended June 30, 2017 compared to the three months ended June 30, 2016, mainly due to increased sales.

In total, our selling, general and administrative costs represented approximately 9% and 12% of our sales for the three months ended June 30, 2017 and 2016, respectively.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense increased by \$8.4 million, or 55%, to \$23.6 million for the three months ended June 30, 2017 compared to \$15.2 million for the three months ended June 30, 2016. The year over year increase was mainly driven by additional costs related to assets acquired in conjunction with our NBI, Sandbox and White Armor acquisitions as well as other continued capital spending. Depreciation, depletion and amortization costs represented approximately 8% and 13% of our sales for the three months ended June 30, 2017 and 2016, respectively.

Operating Income (Loss)

Operating income increased by \$58.9 million, or 380%, to \$43.4 million for the three months ended June 30, 2017 compared to an operating loss of \$(15.5) million for the three months ended June 30, 2016. The increase was due to a 148% increase in total sales partially offset by a 92% increase in cost of sales, a 78% increase in selling, general and administrative expense and a 55% increase in depreciation, depletion and amortization expense.

Interest Expense

Interest expense increased by \$1.5 million, or 22%, to \$8.1 million for the three months ended June 30, 2017 compared to \$6.6 million for the three months ended June 30, 2016, driven by additional long-term liabilities assumed in conjunction with our NBI and Sandbox acquisitions.

Other Income, net, including interest income

Other income increased by \$0.7 million, or 107%, to \$1.3 million for the three months ended June 30, 2017 compared to \$0.6 million for the three months ended June 30, 2016. The increase was primarily due to an increase in interest income earned during the three months ended June 30, 2017.

Provision for Income Taxes

The income tax expense increased by \$16.9 million, or 173% to \$7.1 million for the three months ended June 30, 2017 compared to \$9.8 million in income tax benefit for the three months ended June 30, 2016. The increase was due to increased profit before income tax partially offset by the equity compensation tax benefit recorded discretely during the three months ended June 30, 2017. The effective tax rate was 19% and 45% for the three months ended June 30, 2017 and 2016, respectively. See accompanying Note K - Income Taxes of our Financial Statements for more information.

Historically, our actual effective tax rates have differed from the statutory effective rate primarily due to the benefit received from statutory percentage depletion allowances. The deduction for statutory percentage depletion does not necessarily change proportionately to changes in income before income taxes.

Net Income (Loss)

Net income was \$29.5 million for the three months ended June 30, 2017 compared to a net loss of \$(11.8) million for the three months ended June 30, 2016. The year over year increase was due to the factors noted above.

Results of Operations for the Six Months Ended June 30, 2017 and 2016

Sales

(All numbers in thousands except per ton data)	Six Months Ended		Amount Change	Percent Change
	June 30, 2017	June 30, 2016		
Sales:				
Oil & Gas Proppants	\$427,976	\$138,791	\$289,185	208 %
Industrial & Specialty Products	107,286	100,713	6,573	7 %
Total Sales	\$535,262	\$239,504	\$295,758	123 %
Tons:				
Oil & Gas Proppants	5,277	2,744	2,533	92 %
Industrial & Specialty Products	1,754	1,766	(12)	(1) %
Total Tons	7,031	4,510	2,521	56 %
Average Selling Price per Ton:				
Oil & Gas Proppants	\$81.10	\$50.58	\$30.52	60 %
Industrial & Specialty Products	61.17	57.03	4.14	7 %
Overall Average Selling Price per Ton:	\$76.13	\$53.11	\$23.02	43 %

Total sales increased 123% for the six months ended June 30, 2017 compared to the six months ended June 30, 2016, driven by a 43% increase in overall average selling price and a 56% increase in total tons sold. Tons sold in-basin represented 48% and 32% of total company tons sold for the six months ended June 30, 2017 and 2016, respectively. The increase in total sales was driven by Oil & Gas Proppants sales, which increased 208% for the six months ended June 30, 2017 compared to the six months ended June 30, 2016. Oil & Gas Proppants tons sold for the six months ended June 30, 2017 increased 92% and average selling price increased 60%. These increases were driven by the year over year growth in demand for our frac sand from customers and the Sandbox and NBI acquisitions.

Industrial & Specialty Products sales increased 7% for the six months ended June 30, 2017 compared to the six months ended June 30, 2016. Tons sold decreased 1%, driven by our strategic shift among customers and products. Average selling price increased 7%, driven by new higher-margin product sales and price increases.

Cost of Sales

Cost of sales increased by \$175.4 million, or 84%, to \$384.9 million for the six months ended June 30, 2017 compared to \$209.5 million for the six months ended June 30, 2016. As a percentage of sales, cost of sales decreased to 72% for the six months ended June 30, 2017 compared to 87% for the same period in 2016. These changes result from the main components of cost of sales as discussed below.

We incurred \$216.4 million and \$104.3 million of transportation and related costs for the six months ended June 30, 2017 and 2016, respectively. This increase was due to increased tons sold through our transloads and the Sandbox acquisition.

As a percentage of sales, transportation and related costs decreased to 40% for the six months ended June 30, 2017 compared to 44% for the same period in 2016.

We incurred \$61.9 million and \$36.5 million of operating labor costs for the six months ended June 30, 2017 and 2016, respectively. The \$25.4 million increase in labor costs incurred was primarily due to more tons sold and incremental costs related to Sandbox operations. As a percentage of sales, operating labor costs represented 12% for the six months ended June 30, 2017 compared to 15% for the same period in 2016.

We incurred \$17.3 million and \$12.6 million of electricity and drying fuel (principally natural gas) costs for the six months ended June 30, 2017 and 2016, respectively. The increase in electricity and drying fuel costs incurred was due to more tons sold. As a percentage of sales, electricity and drying fuel costs represented 3% for the six months ended June 30, 2017 compared to 5% for the same period in 2016.

We incurred \$27.9 million and \$16.0 million of maintenance and repair costs for the six months ended June 30, 2017 and 2016, respectively. The increase in maintenance and repair costs incurred was mainly due to higher production volume and the addition of our Tyler, Texas facility. As a percentage of sales, maintenance and repair costs decreased to 5% for the six months ended June 30, 2017 compared to 7% for the same period in 2016.

Segment Contribution Margin

Oil & Gas Proppants contribution margin increased by \$115.2 million, or 2,240%, to \$110.1 million for the six months ended June 30, 2017 compared to \$(5.1) million for the six months ended June 30, 2016, driven by a 208% increase in revenue partially offset by a 121% higher segment cost of sales.

Industrial & Specialty Products contribution margin increased by \$5.1 million, or 13%, to \$43.5 million for the six months ended June 30, 2017 compared to \$38.4 million for the six months ended June 30, 2016, driven by increased higher margin products sales as a percentage of total sales and price increases.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by \$18.3 million, or 61%, to \$48.4 million for the six months ended June 30, 2017 compared to \$30.1 million for the six months ended June 30, 2016. The increase was primarily due to the following factors:

Business development related expense increased by \$2.1 million to \$3.0 million for the six months ended June 30, 2017 compared to \$1.0 million for the six months ended June 30, 2016. The increase was primarily due to costs related to the Whit Armor acquisition and to evaluating other acquisition opportunities.

Compensation related expense increased by \$13.7 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016, primarily due to increased equity-based compensation and incremental expense related to NBI and Sandbox employees.

Bad debt expense increased by \$0.7 million for the six months ended June 30, 2017 compared to the six months ended June 30, 2016, mainly due to increased sales.

In total, our selling, general and administrative costs represented approximately 9% and 13% of our sales for the six months ended June 30, 2017 and 2016, respectively.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense increased by \$15.5 million, or 52%, to \$45.2 million for the six months ended June 30, 2017 compared to \$29.8 million for the six months ended June 30, 2016. The year over year increase was driven by our NBI and Sandbox acquisitions as well as other capital spending. Depreciation, depletion and amortization costs represented approximately 8% and 12% of our sales for the six months ended June 30, 2017 and 2016, respectively.

Operating Income (Loss)

Operating income increased by \$86.6 million, or 291%, to \$56.8 million for the six months ended June 30, 2017 compared to \$(29.8) million of operating loss for the six months ended June 30, 2016. The increase was due to a 123% increase in sales partially offset by a 84% increase in cost of sales, a 61% increase in selling, general and administrative expense and a 52% increase in depreciation, depletion and amortization expense.

Interest Expense

Interest expense increased by \$2.5 million, or 19%, to \$15.8 million for the six months ended June 30, 2017 compared to \$13.3 million for the six months ended June 30, 2016, driven by additional long-term liabilities assumed in conjunction with our NBI and Sandbox acquisitions.

Other Income (Expense), net, including interest income

Other expense increased by \$6.1 million, or 253% to \$(3.7) million for the six months ended June 30, 2017 compared to other income of \$2.4 million for the six months ended 2016. The increase was primarily due to a contract restructuring cost incurred during the six months ended June 30, 2017.

Provision for Income Taxes

Income tax expense increased \$23.3 million to \$5.4 million for the six months ended June 30, 2017 compared to \$17.9 million of income tax benefit for the six months ended June 30, 2016. The increase was due to increased profit before income taxes partially offset by the equity compensation tax benefit recorded discretely for the six months ended June 30, 2017. The effective tax rate was 14% and 44% for the six months ended June 30, 2017 and 2016, respectively. See accompanying Note K - Income Taxes of our Financial Statements for more information. Historically, our actual effective tax rates have differed from the statutory effective rate primarily due to the benefit received from statutory percentage depletion allowances. The deduction for statutory percentage depletion does not necessarily change proportionately to changes in income before income taxes.

Net Income (Loss)

Net income was \$32.0 million for the six months ended June 30, 2017 compared to a net loss of \$(22.8) million for the six months ended June 30, 2016. The year over year increase was due to the factors noted above.

Liquidity and Capital Resources

Overview

Our principal liquidity requirements have historically been to service our debt, to meet our working capital, capital expenditure and mine development expenditure needs, to return cash to our stockholders, and to finance acquisitions. We have historically met our liquidity and capital investment needs with funds generated through operations. We have historically funded our acquisitions through cash on hand or borrowings under our credit facilities and equity issuances. Our working capital is the amount by which current assets exceed current liabilities and is a measure of our ability to pay our liabilities as they become due. As of June 30, 2017, our working capital was \$684.8 million and we had \$46.0 million of availability under the Revolver.

We believe that cash generated through operations and our financing arrangements will be sufficient to meet working capital requirements, anticipated capital expenditures, scheduled debt payments and any dividends declared for at least the next 12 months.

Management and our Board remain committed to evaluating additional ways of creating shareholder value. Any determination to pay dividends and other distributions in cash, stock, or property in the future will be at the discretion of our Board and will be dependent on then-existing conditions, including our business conditions, our financial condition, results of operations, liquidity, capital requirements, contractual restrictions including restrictive covenants contained in debt agreements, and other factors. Additionally, because we are a holding company, our ability to pay dividends on our common stock may be limited by restrictions on the ability of our subsidiaries to pay dividends or make distributions to us, including restrictions under the terms of the agreements governing our indebtedness.

Cash Flow Analysis

A summary of operating, investing and financing activities (in thousands) is shown in the following table:

	Six Months Ended June 30,		Percent Change
	2017	2016	'17 vs. '16
Net cash provided by (used in):			
Operating activities	\$84,241	\$1,321	6,277 %
Investing activities	(179,464)	(1,450)	12,277 %
Financing activities	(17,467)	177,260	(110)%

Net Cash Provided by Operating Activities

Operating activities consist primarily of net income adjusted for certain non-cash and working capital items.

Adjustments to net income for non-cash items include depreciation, depletion and amortization, deferred revenue, deferred income taxes, equity-based compensation and bad debt provision. In addition, operating cash flows include the effect of changes in operating assets and liabilities, principally accounts receivable, inventories, prepaid expenses and other current assets, income taxes payable and receivable, accounts payable and accrued expenses.

Net cash provided by operating activities was \$84.2 million for the six months ended June 30, 2017 compared to \$1.3 million for the six months ended June 30, 2016. This \$82.9 million increase in cash provided by operations was mainly the result of a \$54.8 million increase in net income and \$25.0 million advance payment received from a customer.

Net Cash Used in Investing Activities

Investing activities consist primarily of cash consideration paid to acquire businesses, capital expenditures for growth and maintenance and proceeds from the sale and maturity of short-term investments.

Net cash used in investing activities was \$179.5 million for the six months ended June 30, 2017. This was due to capital expenditures of \$158.9 million, cash consideration of \$18.6 million paid for White Armor acquisition and capitalized intellectual property costs of \$2.0 million. Capital expenditures for the six months ended June 30, 2017 were approximately \$94.4 million for a purchase of reserves in Crane County, Texas and \$64.4 million for engineering, procurement and construction of our growth projects and other maintenance and cost improvement capital projects.

Net cash used in investing activities was \$1.5 million for the six months ended June 30, 2016. This was due to capital expenditures of \$23.4 million being partially offset by \$21.9 million in proceeds from sales and maturities of short-term investments. Capital expenditures for the six months ended June 30, 2016, which totaled \$23.4 million, were primarily for a

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purchase of reserves adjacent to our Ottawa, Illinois, facility, engineering, procurement and construction of our growth projects and other maintenance and cost improvement capital projects.

Subject to our continuing evaluation of market conditions, we anticipate that our capital expenditures in 2017 will be in a range of \$325 million to \$375 million, which is primarily associated with previously announced growth projects and other maintenance and cost improvement capital projects. We expect to fund our capital expenditures through cash on our balance sheet, cash generated from our operations and cash generated from financing activities.

Net Cash Provided by Financing Activities

Financing activities consist primarily of equity issuances, capital contributions, dividend payments, borrowings and repayments related to the Revolver, Term Loan, as well as fees and expenses paid in connection with our credit facilities, advance payments from our customers and capital leases.

Net cash used in financing activities was \$17.5 million for the six months ended June 30, 2017, driven by \$10.2 million in dividends paid, \$3.9 million of tax payments related to shares withheld for vested restricted stock, \$3.3 million of long-term debt payments, and \$0.6 million of capital lease repayments partially offset by \$0.5 million of proceeds from employee stock options exercised.

Net cash provided by financing activities was \$177.3 million in the six months ended June 30, 2016, driven by \$200.0 million of common stock issuances and \$1.3 million of proceeds from exercised employee stock options, both of which were partially offset by \$13.8 million common stock issuance costs, \$6.7 million of dividends paid and \$2.6 million of long-term debt payments, and \$1.0 million of tax payments related to shares withheld for vested restricted stock.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have a current material effect or are likely to have future material effect on our financial condition, changes in financial condition, sales, expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations

There have been no significant changes outside the ordinary course of business to our “Contractual Obligations” table in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of our 2016 Annual Report. For more details on future minimum annual commitments under such operating leases, please see accompanying Note I - Fair Value Accounting to our Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Environmental Matters

We are subject to various federal, state and local laws and regulations governing, among other things, hazardous materials, air and water emissions, environmental contamination and reclamation and the protection of the environment and natural resources. We have made, and expect to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures. As of June 30, 2017, we had \$11.6 million accrued for future reclamation costs, as compared to \$11.2 million as of December 31, 2016.

We discuss certain environmental matters relating to our various production and other facilities, certain regulatory requirements relating to human exposure to crystalline silica and our mining activity and how such matters may affect our business in the future under Item 1, “Business,” Item 1A, “Risk Factors” Item 3, “Legal Proceedings”, and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Environmental Matters” in our 2016 Annual Report.

Critical Accounting Estimates

Our unaudited condensed consolidated financial statements have been prepared in conformity with GAAP, which requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. While we do not believe that the reported amounts would be materially different, application of these policies involves the exercise of judgment and the use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on experience and on various other

assumptions that are believed to be reasonable under the circumstances. All of our significant accounting policies, including certain critical accounting policies, are disclosed in our 2016 Annual Report.

Recent Accounting Pronouncements

New accounting guidance that we have recently adopted, as well as accounting guidance that has been recently issued but not yet adopted by us, are included in Note A - Summary of Significant Accounting Policies to our Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Availability of Reports; Website Access; Other Information

Our internet address is <http://www.ussilica.com>. Through “Investors”—“SEC Filings” on our home page, we make available free of charge our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our proxy statements, our Current Reports on Form 8-K, SEC Forms 3, 4 and 5 and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our reports filed with the SEC are also made available to read and copy at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information about the Public Reference Room may be obtained by contacting the SEC at 1-800-SEC-0330. Reports filed with the SEC are also made available on its website at www.sec.gov.

Copies of our Corporate Governance Guidelines, our Audit Committee, Compensation Committee and Nominating and Governance Committee charters, the Code of Conduct for our Board of Directors and Code of Conduct and Ethics for U.S. Silica employees (including the chief executive officer, chief financial officer and corporate controller) can also be found on our website. Any amendments or waivers to the Code of Conduct and Ethics applicable to the chief executive officer, chief financial officer and corporate controller can also be found in the “Investors” section of the U.S. Silica website. Stockholders may also request a free copy of these documents from: U.S. Silica Holdings, Inc., attn.: Investor Relations, 8490 Progress Drive, Suite 300, Frederick, Maryland 21701 or IR@ussilica.com.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

We are exposed to certain market risks, which exist as a part of our ongoing business operations. Such risks arise from adverse changes in market rates, prices and conditions. We address such market risks in "How We Generate Our Sales" in Item 2 of this Quarterly Report on Form 10-Q, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Interest Rate Risk

We are exposed to interest rate risk arising from adverse changes in interest rates. As of June 30, 2017, we have \$491.6 million of debt outstanding under our senior credit facility. Assuming no change in the amount outstanding, and LIBOR is greater than the 1.0% minimum base rate on the Term Loan, a hypothetical increase or decrease in interest rates by 1.0% would have changed our interest expense by \$4.9 million per year.

We use interest rate derivatives in the normal course of our business to manage both our interest cost and the risks associated with changing interest rates. We do not use derivatives for trading or speculative purposes. The following table summarizes the fair value of our derivative instruments (in thousands) at June 30, 2017 and December 31, 2016.

	June 30, 2017				December 31, 2016			
	Maturity Date	Contract/Notional Amount	Carrying Amount	Fair Value	Maturity Date	Contract/Notional Amount	Carrying Amount	Fair Value
Interest rate cap agreement ⁽¹⁾	2019	\$249 million	\$ 2	\$ 2	2019	\$249 million	\$ 72	\$ 72

Agreements limit the (1) LIBOR floating interest rate base to 4%.

Credit Risk

We are subject to risks of loss resulting from nonpayment or nonperformance by our customers. We examine the creditworthiness of third-party customers to whom we extend credit and manage our exposure to credit risk through credit analysis, credit approval, credit limits and monitoring procedures, and for certain transactions, we may request letters of credit, prepayments or guarantees, although collateral is generally not required.

Despite enhancing our examination of our customers' credit worthiness, we may still experience delays or failures in customer payments. Some of our customers have reported experiencing financial difficulties. With respect to customers that may file for bankruptcy protection, we may not be able to collect sums owed to us by these customers and we also may be required to refund pre-petition amounts paid to us during the preference period (typically 90 days) prior to the bankruptcy filing.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2017. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of June 30, 2017, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended June 30, 2017 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

During the quarter ended June 30, 2017, we continued to integrate NBI’s and Sandbox’s processes, information technology systems and other components of internal control over financial reporting into our internal control structure.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In addition to the matter described below, we are subject to various legal proceedings, claims, and governmental inspections, audits or investigations arising out of our business which cover matters such as general commercial, governmental regulations, antitrust and trade regulations, product liability, environmental, intellectual property, employment and other actions. Although the outcomes of these routine claims cannot be predicted with certainty, in the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on our financial position or results of operations.

Prolonged inhalation of excessive levels of respirable crystalline silica dust can result in silicosis, a disease of the lungs. Breathing large amounts of respirable silica dust over time may injure a person's lungs by causing scar tissue to form. Crystalline silica in the form of quartz is a basic component of soil, sand, granite and most other types of rock. Cutting, breaking, crushing, drilling, grinding and abrasive blasting of or with crystalline silica containing materials can produce fine silica dust, the inhalation of which may cause silicosis, lung cancer and possibly other diseases including immune system disorders such as scleroderma. Sources of exposure to respirable crystalline silica dust include sandblasting, foundry manufacturing, crushing and drilling of rock, masonry and concrete work, mining and tunneling, and cement and asphalt pavement manufacturing.

Since at least 1975, we and/or our predecessors have been named as a defendant, usually among many defendants, in numerous lawsuits brought by or on behalf of current or former employees of our customers alleging damages caused by silica exposure. Prior to 2001, the number of silicosis lawsuits filed annually against the commercial silica industry remained relatively stable and was generally below 100, but between 2001 and 2004 the number of silicosis lawsuits filed against the commercial silica industry substantially increased. This increase led to greater scrutiny of the nature of the claims filed, and in June 2005 the U.S. District Court for the Southern District of Texas issued an opinion in the former federal silica multi-district litigation remanding almost all of the 10,000 cases then pending in the multi-district litigation back to the state courts from which they originated for further review and medical qualification, leading to a number of silicosis case dismissals across the United States. In conjunction with this and other favorable court rulings establishing "sophisticated user" and "no duty to warn" defenses for silica producers, several states, including Texas, Ohio and Florida, have passed medical criteria legislation that requires proof of actual impairment before a lawsuit can be filed.

As a result of the above developments, the filing rate of new claims against us over the past three years has decreased to below pre-2001 levels, and we were named as a defendant in one, zero and two new silicosis cases filed in 2014, 2015 and 2016, respectively. During the six months ended June 30, 2017, no additional claims were brought against us. As of June 30, 2017, there were a total of approximately 60 active silica-related products liability claims pending in which we were a defendant and approximately 1 inactive claim. Almost all of the claims pending against us arise out of the alleged use of our silica products in foundries or as an abrasive blast media, and involve various other defendants. Prior to the fourth quarter of 2012, we had insurance policies for both our predecessors that covered certain claims for alleged silica exposure for periods prior to certain dates in 1985 and 1986 (with respect to certain insurance). As a result of a settlement with a former owner and its insurers in the fourth quarter of 2012, some of these policies are no longer available to us, and we will not seek reimbursement for any defense costs or claim payments from these policies. Other insurance policies, however, continue to remain available to us and we will continue to make such payments on our behalf.

The silica-related litigation brought against us to date has not resulted in material liability to us. However, we continue to have silica-related products liability claims filed against us, including claims that allege silica exposure for periods for which we do not have insurance coverage. Any such pending or future claims or inadequacies of our insurance coverage could have a material adverse effect on our business, reputation or results of operations. For more information regarding silica-related litigation, see Part I, Item 1A of our 2016 Annual Report "Risk Factors—Risks Related to Environmental, Mining and Other Regulation—Silica-related health issues and litigation could have a material adverse effect on our business, reputation or results of operations."

ITEM 1A. RISK FACTORS

As of June 30, 2017, there have been no material changes to the risk factors disclosed in Item 1A of Part I in our 2016 Annual Report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share Repurchase Program

The following table presents the total number of shares of our common stock that we purchased during the second quarter of 2017, the average price paid per share, the number of shares that we purchased as part of our publicly announced repurchase program, and the approximate dollar value of shares that still could have been purchased at the end of the applicable fiscal period pursuant to our June 2012 share repurchase program:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program ⁽¹⁾	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program ⁽¹⁾
April 2017	—	\$ —	—	
May 2017	1,414	⁽²⁾ \$ 40.74	—	
June 2017	12,842	⁽²⁾ \$ 38.25	—	
Total	14,256	\$ 38.50	—	\$ 33,173,725

A program covering the repurchase of up to \$25.0 million of our common stock was initially announced ⁽¹⁾ in June 2012 and was increased to \$50.0 million in December 2014. This program expires on December 11, 2017.

⁽²⁾ Represents shares withheld by U.S. Silica to

pay taxes
due upon
the vesting
of
employee
restricted
stock and
restricted
stock units.

From June 30, 2017 to the date of the filing of this Quarterly Report on Form 10-Q, we have not repurchased any shares of our common stock.

For more details on the stock repurchase program, see Note B - Capital Structure and Accumulated Comprehensive Income to our Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Safety is one of our core values, and we strive for excellence in the achievement of a workplace free of injuries and occupational illnesses. Our health and safety leadership team has developed comprehensive safety policies and standards, which include detailed standards and procedures for safe production, addressing topics such as employee training, risk management, workplace inspection, emergency response, accident investigation and program auditing. We place special emphasis on the importance of continuous improvement in occupational health, personal injury avoidance and prevention, emergency preparedness, and property damage elimination. In addition to strong leadership and involvement from all levels of the organization, these programs and procedures form the cornerstone of our safety initiatives, ensuring that employees are provided a safe and healthy environment and are intended as a means to reduce workplace accidents, incidents and losses, comply with all mining-related regulations and provide support for both regulators and the industry to improve mine safety. While we want to have productive operations in full regulatory compliance, we know it is equally essential that we motivate and train our people to think, practice and feel a personal responsibility for health and safety on and off the job.

All of our production facilities, with the exception of our resin-coated sand facility, are classified as mines and are subject to regulation by the Federal Mine Safety and Health Administration (“MSHA”) under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”). MSHA inspects our mines on a regular basis and issues various citations and orders when it believes a violation has occurred under the Mine Act. Following passage of The Mine Improvement and New Emergency

Response Act of 2006, MSHA significantly increased the numbers of citations and orders charged against mining operations. The dollar penalties assessed for citations issued has also increased in recent years. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95.1 to this Quarterly Report filed on Form 10-Q.

ITEM 5. OTHER INFORMATION

Forward Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “will,” “should,” “likely” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected costs, expenditures, cash flows, growth rates and financial results, our plans and objectives for future operations, growth or initiatives, strategies or the expected outcome or impact of pending or threatened litigation are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- fluctuations in demand for commercial silica;
- the cyclical nature of our customers’ businesses;
- operating risks that are beyond our control, such as changes in the price and availability of transportation, natural gas or electricity; unusual or unexpected geological formations or pressures; cave-ins, pit wall failures or rock falls; or unanticipated ground, grade or water conditions;
- our dependence on four of our plants for a significant portion of our sales;
- the level of activity in the natural gas and oil industries;
- decreased demand for frac sand or the development of either effective alternative proppants or new processes to replace hydraulic fracturing;
- federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing and the potential for related regulatory action or litigation affecting our customers’ operations;
- our rights and ability to mine our properties and our renewal or receipt of the required permits and approvals from governmental authorities and other third parties;
- our ability to implement our capacity expansion plans within our current timetable and budget and our ability to secure demand for our increased production capacity, and the actual operating costs once we have completed the capacity expansion;
- our ability to succeed in competitive markets;
- delay or failure by our customers to pay our outstanding receivables;
- loss of, or reduction in, business from our largest customers;
- increasing costs or a lack of dependability or availability of transportation services and transload network access infrastructure;
- extensive regulation of trucking services;
- our ability to recruit and retain truckload drivers;
- increases in the prices of, or interruptions in the supply of, natural gas and electricity, or any other energy sources;
- increases in the price of diesel fuel;
- diminished access to water;
- our ability to successfully complete acquisitions or integrate acquired businesses;

- our ability to make capital expenditures to maintain, develop and increase our asset base and our ability to obtain needed capital or financing on satisfactory terms;
- our substantial indebtedness and pension obligations;
- restrictions imposed by our indebtedness on our current and future operations;
- contractual obligations that require us to deliver minimum amounts of frac sand or purchase minimum amounts of services;
- the accuracy of our estimates of mineral reserves and resource deposits;
- a shortage of skilled labor and rising costs in the mining industry;
- our ability to attract and retain key personnel;
- our ability to maintain satisfactory labor relations;
- our reliance on patents, trade secrets and contractual restrictions to protect our proprietary rights;
- our significant unfunded pension obligations and post-retirement health care liabilities;
- our ability to maintain effective quality control systems at our mining, processing and production facilities;
- seasonal and severe weather conditions;
- fluctuations in our sales and results of operations due to seasonality and other factors;
- interruptions or failures in our information technology systems;
- the impact of a terrorist attack or armed conflict;
- extensive and evolving environmental, mining, health and safety, licensing, reclamation and other regulation (and changes in their enforcement or interpretation);
- silica-related health issues and corresponding litigation;
- our ability to acquire, maintain or renew financial assurances related to the reclamation and restoration of mining property; and
- other factors included and disclosed in Part I, Item 1A, “Risk Factors” of our 2016 Annual Report.

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based on many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are disclosed under Item 1A, “Risk Factors” and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2016 Annual Report. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements as well as other cautionary statements that are made from time to time in our other filings with the SEC, including this Quarterly Report on Form 10-Q, and public communications. You should evaluate all forward-looking statements made in this Quarterly Report on Form 10-Q in the context of these risks and uncertainties.

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date hereof. We undertake no obligation to update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

ITEM 6. EXHIBITS

The information called for by this Item is incorporated herein by reference from the Exhibit Index included in this Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, this 1st day of August, 2017.

U.S. Silica Holdings, Inc.

/s/ DONALD A. MERRIL

Name: Donald A. Merrill

Title: Chief Financial Officer

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EXHIBIT INDEX

Exhibit Number	Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Third Amended and Restated Certificate of Incorporation of U.S. Silica Holdings, Inc., effective May 4, 2017.	8-K	001-35416	3.1	May 10, 2017
3.2	Third Amended and Restated Bylaws of U.S. Silica Holdings, Inc., effective May 4, 2017.	8-K	001-35416	3.2	May 10, 2017
4.1	Specimen Common Stock Certificate.	S-1/A	333-175636	4.1	December 7, 2011
31.1*	Rule 13a-14(a)/15(d)-14(a) Certification by Bryan A. Shinn, Chief Executive Officer.				
31.2*	Rule 13a-14(a)/15(d)-14(a) Certification by Donald A. Merrill, Chief Financial Officer.				
32.1*	Section 1350 Certification by Bryan A. Shinn, Chief Executive Officer.				
32.2*	Section 1350 Certification by Donald A. Merrill, Chief Financial Officer.				
95.1*	Mine Safety Disclosure				
99.1*	Consent of PropTester, Inc.				
101*	101.INS XBRL Instance				
	101.SCH XBRL Taxonomy Extension Schema				
	101.CAL XBRL Taxonomy Extension Calculation				
	101.LAB XBRL Taxonomy Extension Labels				
	101.PRE XBRL Taxonomy Extension Presentation				
	101.DEF XBRL Taxonomy Extension Definition				

* Filed
herewith

We will furnish any of our stockholders a copy of any of the above Exhibits not included herein upon the written request of such stockholder and the payment to U.S. Silica Holdings, Inc. of the reasonable expenses incurred in furnishing such copy or copies.